

Your California Seller's Permit

Your Rights and Responsibilities under the Sales and Use Tax Law



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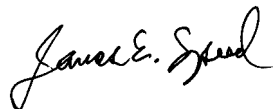
A Message from the Director

It is a pleasure to welcome you to the company of nearly one million businesses that are registered with the State Board of Equalization. As a seller, you will be reporting taxes to the Board on a regular basis and will most likely have questions regarding your responsibilities under the *Sales and Use Tax Law*. We encourage you to call our toll-free Information Center for answers to your general questions. If you have questions regarding your specific account, please contact the Board office that handles your records. See chapter 10 for telephone numbers.

We encourage you to take advantage of our publications, which include booklets, laws, and regulations that will help you with your questions about the application of tax to your business. To obtain copies, you can call our Information Center at 1-800-400-7115 or visit our website at www.boe.ca.gov. See chapter 9 for a listing of the publications you can order.

We wish you success in your business endeavors and look forward to working with you in the future. We invite your suggestions for ways to improve our services and encourage you to contact us with your comments and recommendations. We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, reading "James E. Speed". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James E. Speed, Executive Director
State Board of Equalization

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NOTE: The statements in this booklet are general and are current as of the date on the cover. The Sales and Use Tax Law (Revenue and Taxation Code, Section 6001 and following) is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.

1. Obtaining a Seller's Permit

Who must obtain a seller's permit?

You must obtain a seller's permit if you

- Are engaged in business in California and
- Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail

The requirement to obtain a seller's permit applies to individuals as well as corporations, firms, partnerships, and so forth. Both wholesalers and retailers must apply for a permit.

If you do not hold a seller's permit and will hold sales of a temporary nature, such as Christmas tree sales and rummage sales, you must apply for a temporary seller's permit. Such permits are normally issued to selling operations lasting no longer than 30 days at one location. Contact our Information Center for more information, 1-800-400-7115.

What does *engaged in business* mean?

You are engaged in business in California if you

- Have an office, sales room, warehouse, or other place of business in this state (even if the location is only temporary), or
- Have a sales representative, agent, or canvasser operating in this state, or
- Receive rental payments from the lease of tangible personal property in this state.

There are other activities that *may* qualify a selling operation as being *engaged in business* in California. Due to the various rules that apply, you should contact the Board to determine if you must obtain a permit.

What is meant by *ordinarily subject to sales tax*?

In general, retail sales of tangible personal property in California are subject to sales tax. Examples of tangible personal property include such items as furniture, giftware, toys, antiques, clothing, and so forth.

In addition, some service and labor costs are taxable if they result in the creation of tangible personal property. For example, if you make a ring for a specific customer, you are creating tangible personal property. Therefore, the total amount you charge for the ring (including the charge for labor) would be taxable. This would also be the case if the customer provided the materials for making the ring.

However, labor costs for making repairs (resetting a diamond, for example) are not taxable since they do not result in the creation of tangible personal property. You are only repairing or reconditioning existing property.

Likewise, labor charges to install or apply property which has been sold is not ordinarily subject to sales tax (*note: the labor charge should be stated separately on the bill*).

There are many rules governing what is taxable. You are encouraged to call our Information Center at 1-800-400-7115 for information on what is taxable for your business. You may also order a tax tip booklet designed for your type of business or request copies of regulations which explain the law more fully. A listing of available publications is provided at the back of this pamphlet.

How do I apply for a permit?

You can visit or call a nearby Board office to obtain an application (see page 25). Or, you can arrange to have an application mailed or faxed to you

(call 1-800-400-7115). Applications can also be downloaded from our Internet site, www.boe.ca.gov. *Note:* You will need to mail or bring in the completed application since we must have your original signature. You should make a copy for your records.

**If I apply for a permit,
what information do I
need to provide?**

You will be asked to furnish:

- A photocopy of your social security card and driver license to ensure the accuracy of the information provided and to protect against fraudulent use of your identification numbers. If your social security card is not readily available, a copy of another document with your social security number on it—such as an employer pay stub, a printed income tax return label, or a withholding statement (W-2 form)—is a suitable alternative.
- The name and location of banks where you have an account.
- Addresses of property owned, its value, the amount owed, and to whom payments are made.
- Names of suppliers.
- Name of bookkeeper or accountant.
- Names and addresses of three personal references.
- Estimated monthly operating expenses for your business (rent, payroll, payments on equipment, and so forth).
- Anticipated average monthly sales and the amount of those sales which are not taxable.

Additional information may be required.

If you have business partners, or if the business is managed by corporation officers, those persons will also be asked to furnish some of the information listed above.

**Is information regarding
my account subject to
disclosure?**

Yes. While most of the information you provide to the Board is confidential, some is subject to public disclosure, such as the information on your seller's permit and the closeout date of your business, if applicable. Under certain conditions, your account information, including underreporting and outstanding liabilities, may be shared with other government agencies.

**Do I need more than
one permit?**

If you have more than one place of business (located on different premises), you may need a separate permit for each location. In some instances it is possible to obtain a consolidated permit for multiple business outlets. At the time you apply for a permit, be sure to provide information for all business locations so that the Board will issue the correct type of permit.

**Is there a fee charged for
a seller's permit?**

No. However, the Board may require a security deposit to cover any unpaid taxes that may be owed if, at a later date, the business closes. The amount of the security will be determined at the time you apply.

**If I am no longer in
business, can I keep my
seller's permit?**

Your permit is valid only so long as you are actively engaged in business as a seller. If you are no longer conducting business, you should return your permit to the Board for cancellation. See also page 15, "Buying, Selling, or Discontinuing a Business." Likewise, the Board may cancel your permit if it finds that you are no longer engaged in business as a seller.

**Should I tell the Board if
I change my business or
mailing address?**

Yes. We may need to update our records to ensure that your tax returns are mailed to the correct location.

If the ownership of my business changes, do I need to let you know?

Yes. You must notify the Board directly of any changes in ownership of your business. As explained in chapter 5, if ownership records are not kept current, previous owners are generally liable for taxes, interest, and penalties incurred by the business after the transfer.

Incorporating a business or forming a partnership is considered a change of ownership and must be reported. You must notify us directly of any ownership changes. Publishing this information in a newspaper or reporting it to another state agency is not sufficient notice to the Board.

In addition, if you add or drop a partner, you should notify the Board immediately. Timely notification to the Board could help limit the personal liability of partners for tax, penalty, and interest charges incurred by the business after the partnership change.

If I am a spousal partner and divorce or withdraw from the partnership, should I notify the Board?

Yes. This is considered much the same as a change of ownership and should be reported. You must let us know in writing that you are no longer involved in the operation of the business. A legal separation or divorce decree awarding the business to one spouse, without written notification to the Board of the change, is not sufficient notice.

Is my seller's permit the same as a business license?

No. You should contact your city and/or county business license department to obtain a separate business license. To locate the department, check the government pages of your telephone directory (for example, look for the terms *license* or *business license* under City Government Offices and County Government Offices).

Should I be registered to pay other taxes?

See page 26 for information on some of the other tax programs administered by the Board. You should also check with other state, federal, and local taxing and licensing authorities about any registration requirements they may have (for example, do you need to be registered with State Franchise Tax Board or the Employment Development Department?).

The California Environmental Protection Agency offers extensive information on state, local, and federal permit requirements. For a listing of their permit assistance centers, visit their Internet site at www.calgold.ca.gov/pac.asp.

Are my business records subject to audit?

Yes. Your records may be audited to determine whether you have paid the correct amount of tax (see chapter 7 for information on the types of records you must retain). The audit may determine that you owe tax, that you are entitled to a refund, or that you have paid the correct amount. In general, you may be audited in three-year intervals, at the time you close out your permit, or in connection with an audit on another permit you hold. Audits may also be initiated as a result of information received from outside sources.

What are my obligations as a permit holder?

As a permit holder, you are required to

- **Report and pay sales and use taxes** (see chapters 2, 3, and 4)
- **Keep adequate records** (see chapter 7)

You are also required to notify the Board if you

- **Change your business or mailing address** (see page 2)
- **Change the ownership of your business** (see above)
- **Sell your business** (see chapter 5)
- **Buy another business** (see chapter 5)
- **Discontinue your business** (see chapter 5)

2. Applying Tax to Your Sales and Purchases

As a retailer, you are required to

- *Pay sales and use taxes*
- *File tax returns*

This chapter provides a general overview of your tax reporting responsibilities. The next chapter includes a description of how to file a sales and use tax return.

What is taxable?

As noted in chapter 1, retail sales of tangible personal property in California are generally subject to *sales tax*. Examples of tangible personal property include such items as furniture, giftware, toys, antiques, clothing, and so forth. In addition, some service and labor costs are subject to sales tax if they result in the creation of tangible personal property.

In some instances, retailers must pay *use tax*, rather than sales tax, to the Board. The most common example of a purchase subject to the use tax is a purchase of an item for use in California from an out-of-state retailer. Out-of-state retailers who are engaged in business in this state are required to collect the use tax, whenever applicable, from the consumer at the time of making the sale (see pages 11-12 for more information on use tax).

The tax rate for sales and use taxes is the same.

Some sales and purchases are exempt from sales and use tax. Examples of exempt sales include, but are not limited to, sales of certain food products for human consumption, sales to the U.S. Government, and sales of prescription medicines. For more information on exempt sales, you should request a copy of publication 61, *Sales and Use Taxes: Exemptions and Exclusions*. (See chapter 10 for information on how to order publications.)

Who is responsible for paying sales tax to the Board of Equalization?

As a seller, you owe the sales tax and are responsible for paying the correct amount to the Board. If you do not pay the correct amount, you are subject to additional tax charges plus applicable penalty and interest charges.

Can I collect sales tax from my customer?

Yes. Although you are required to pay and report sales taxes to the Board, you may be reimbursed by your customer for the amount of tax you owe on a sale. For example, if you are required to pay \$1.75 in sales tax on a sale, you may pass that cost on to your customer, provided it is agreed to as part of the sale. It is presumed that the customer agrees to pay the addition of tax if:

- You list a separate amount for sales tax reimbursement on your receipts or invoices;
- You post a sign on your premises stating that sales tax reimbursement will be added to all prices of taxable merchandise, or make a similar statement on price tags, advertising material, and other printed material directed to the purchaser; or
- The sales agreement specifically calls for the addition of sales tax reimbursement.

If you include sales tax reimbursement in your prices, rather than itemizing it separately on your invoices or receipts, you must inform the buyer that tax is included. You can post this information at your premises in a location that is

visible to purchasers; or you can include it on a price tag or in an advertisement (whichever is applicable). Use one of the following statements:

- All prices of taxable items include sales tax reimbursement computed to the nearest mill; or
- The price of this item includes sales tax reimbursement computed to the nearest mill.

What tax rate do I use?

The sales and use tax rate varies statewide. The statewide base rate is 7.25 percent. However, the rate is higher in locations where voters have approved additional “district” taxes. Most of these districts encompass an entire countywide area; however, some districts are limited to a single city. District taxes may be used for special services such as transportation or libraries, or they may be used to support general services.

Examples

- In San Bernardino County the tax rate is 7.75 percent. This rate reflects the 7.25 percent statewide base rate plus 0.50 percent for the San Bernardino County Transportation Authority. The rate applies countywide.
- In the City of Placerville, located in El Dorado County, the tax rate is 7.50 percent. This rate reflects the 7.25 percent statewide base rate plus 0.25 percent for a public safety district. The 7.50 percent rate applies *only* within the city limits of Placerville. The tax rate in areas of El Dorado County outside the City of Placerville is 7.25 percent.

More than three-fourths of all businesses in the state are located in or do business in special tax districts.

How do I know if I am required to report the special district taxes described above?

As a seller, you must collect, report, and pay the district sales tax (called a transactions tax) or use tax on your taxable sales and leases if you

- Have a business location or are *engaged in business* within the district,
- Lease tangible personal property and the property is used in the district, or
- Sell or lease vehicles, undocumented vessels, or aircraft that will be registered in the district.

You are *engaged in business* in a district if you are a retailer who

- Maintains, occupies, or uses any type of office, sales room, warehouse, or other place of business in the district, even if it is used temporarily, indirectly, or through an agent; or
- Has any kind of representative operating in the district for the purpose of making sales, making deliveries, or taking orders; or
- Receives rental income from leases of tangible personal property located in the district.

There are some differences between the rules that apply to the payment of taxes in special districts and the payment of sales and use taxes in general. You should refer to publication 44, *Tax Tips for District Taxes*, for more information.

If you are not subject to a special district tax, you should report tax at the statewide base rate, which is currently 7.25 percent.

How can I find out where special tax districts are located?

There are several sources for this information, including the following:

- The information is included with your sales and use tax return.
- You can read publication 71, *California City and County Sales and Use Tax Rates*, which provides a detailed listing of applicable rates. It is available

online at www.boe.ca.gov/pam71.htm. Or call 1-800-400-7115 to request a copy.

- You can call our Information Center during working hours and speak to a representative, 1-800-400-7115.

What if I collect too much sales tax reimbursement from my customer?

If you collect more than the amount of tax due, you must either return the excess amount to the customer or pay it to the state.

Are barter and exchanges taxable?

Yes. The use of barter or exchanges is considered the same as making sales or purchases under the Sales and Use Tax Law. The fair market value of the property or services received is normally the amount to which tax will apply.

For example, assume that you are a retailer of electronic equipment and owe \$500 for dental care. In place of cash, you use a television set from your inventory as full payment. The transaction is considered a taxable sale, and you must report and pay tax based on the \$500.

Are trade-ins taxable?

Yes. The value of a trade-in is considered taxable. For example, if you sold a car for \$20,000 and accepted a trade-in valued at \$4,000 as partial payment, tax would be based on the \$20,000 selling price (that is, you could not deduct the value of the trade-in from the sales price of the car being sold when computing sales tax).

Are delivery and handling charges taxable?

Delivery charges

- *You have the property delivered directly to your customer using a common carrier, the U.S. Mail, or an independent contractor*

Tax does not apply to the delivery charges under these conditions if the charges are clearly stated as a separate entry on the invoice or other bill of sale. If the delivery charges are not stated separately, they are taxable.

Example. You sell a refrigerator and have it delivered by an independent contract carrier. On the invoice, you show a \$750 charge for the refrigerator plus a separately stated \$50 charge for delivery (the amount charged you by the carrier). Since the delivery charge is stated separately, tax applies only to the charge for the refrigerator (\$750). If the invoice had shown a single charge of \$800, tax would apply to the entire amount.

Note: If you charge more for delivery than your actual costs, the added amount is subject to tax. In the example above, if you had charged your customer \$60 for delivery, but your actual delivery cost was \$50 (the amount charged by the independent contract carrier), tax would apply to the additional \$10 charge.

- *You use your vehicle to make the delivery*

Tax applies to the delivery charges if you use your own vehicle, whether or not those charges are separately stated on the invoice (see also note below).

Example. You sell a refrigerator and deliver it to your customer using your own vehicle. On the invoice, you show a \$750 charge for the refrigerator plus a separately stated \$50 charge for delivery. Tax applies both to the delivery charge and the charge for the refrigerator.

Note: Tax does not apply to delivery charges using your own vehicles if there is a written contract of sale, signed before delivery, that transfers ownership of the property to the purchaser prior to delivery.

Handling charges

Handling charges are generally taxable.

Combined charges

If you charge a single amount for delivery and handling (for example, the invoice shows a single amount for “postage and handling” or “shipping and handling”), the portion of the charge that represents handling is generally taxable, while the portion that represents delivery may or may not be taxable (see “*Delivery charges*” page 6).

Note: It is important to use terms such as “delivery,” “shipping,” or “postage” on the invoice to represent the delivery charges. A separately stated charge that says only “handling,” for example, is not considered a delivery charge, and the entire handling charge is taxable—even if postage or shipment charges are indicated on the package.

For more information on delivery charges, or information on how tax may apply to a specific transaction, please call our Information Center, 1-800-400-7115. You may also wish to obtain a copy of Regulation 1628, *Transportation Charges*, or publication 100, *Shipping and Delivery Charges*.

I make drop shipments on behalf of out-of-state retailers. Am I liable for sales tax?

If you make drop shipments or courtesy deliveries to consumers in California on behalf of out-of-state retailers, you are not liable for tax if the out-of-state retailer holds or is required to hold a California seller’s permit or a Certificate of Registration—Use Tax. An out-of-state retailer who is required to hold either permit is considered the retailer and is liable for tax.

However, you are considered the retailer and are generally liable for tax, based on the final selling price to the California consumer, if

- The out-of-state retailer is not required to hold a California seller’s permit or Certificate of Registration—Use Tax, and
- The retail sale of the property is subject to California sales or use tax

If the California customer is purchasing the property for resale, you are not liable for tax if you obtain a valid resale certificate from the California customer (see chapter 6).

If I accept foreign currency as payment, how do I figure tax?

Tax is measured in United States dollars based on the conversion rate of the foreign currency as of the date of the contract for the sale.

Where can I get more information?

Since it is not possible in the space available to explain what is taxable for every type of business, you are encouraged to take advantage of other Board resources, such as our Internet site, classes, other publications, and so forth.

For more information, see

- Page 21, Regulations
- Page 23, Publications
- Page 24, Where To Get Help

3. Reporting Taxes — In General

What is a sales and use tax return?

A sales and use tax return is a form used by holders of seller's permits to report the payment of sales and use taxes to the Board of Equalization. Permit holders are required to file a standard *State, Local & District Sales & Use Tax Return*. Based on the types of deductions claimed, some businesses may qualify to use the *Short Form—Sales and Use Tax Return*.

When do I file my tax return?

When you obtain your seller's permit, you will be instructed to file your tax return on a monthly, quarterly, or annual basis (the determination is based on the volume of taxable sales expected for your business).

The Board will send you a tax return form to complete at the close of each reporting period. The filing due date is printed at the top of the return. If you do not receive your tax return form within 15 days after the end of the reporting period for your business, you should call the Information Center, 1-800-400-7115.

You must file a tax return; failure to receive a return from the Board does not excuse you from the requirement to file.

You must file your returns on a timely basis, as described below:

Mailed returns. Mailed returns, forms, and payments must be postmarked on or before the specified due date. Be sure to drop off your return before the daily postal pickup to ensure a timely postmark. If the due date falls on a Saturday, Sunday, or legal holiday, returns postmarked by the next business day are considered timely. You may send such items through a commercial delivery service, but you will need to retain proof of the dates the items were sent.

Hand-delivered returns. Hand-delivered return forms and payments must reach Board offices on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, returns received by the next business day are considered timely.

Payments made by electronic funds transfer (EFT). If you are registered to pay taxes electronically (see page 9 for the conditions that apply), you must still file a hard copy of your return on a timely basis, whether mailed or hand-delivered. You should refer to publication 80, *Electronic Funds Transfer Program: Information Guide*, for more information on electronic tax payment due dates.

What happens if I file a late tax return or my tax payment is overdue?

If you file a late return and/or make a late tax payment, you are liable for interest and penalty charges. If you pay your full tax liability on time but do not file your return on time, you are still liable for a penalty for filing a late return. For more information on these charges, please call 1-800-400-7115 and request a copy of publication 75, *Interest and Penalty Charges*.

Under limited circumstances, the Board may allow additional time (up to one month) for filing a return. If the additional time is granted and the return is filed and paid within that time, you will owe interest on the payment but will not be required to pay a penalty. If you are unable to file your return on time, you should call 1-800-400-7115 and request a copy of form BOE-468, *Request for an Extension of Time*. You can also download the form from our website.

If I don't owe taxes, do I still file a return?

Yes. You must file a tax return even if no taxes are owed for the reporting period. So, even if you have no sales for the period, or all your sales are nontaxable, you must still file a return.

How do I pay the taxes that are due?

You can pay by check or money order through the mail, as described on page 8, or at any Board office. Make your payment payable to the State Board of Equalization.

Or, you can pay by electronic funds transfers (EFT), rather than by paper checks. EFT payments are currently required for businesses that pay an average of \$20,000 per month in sales and use taxes. Other businesses can make EFT payments on a voluntary basis. For more information, call 1-800-400-7115 and ask for publication 80, *Electronic Funds Transfer Program: Information Guide*. You can also obtain information on EFT payments from the following website address: www.boe.ca.gov/electsrv/eftsrvcont.htm.

You can also charge your payment (unless you are required to file by EFT). The following credit cards are accepted: NOVUS (for example, the NOVUS/Discover card), MasterCard, and American Express. Instructions for charging your payment are provided with your tax return.

Reminder: Regardless of how you pay, you must make your payment on time and file a timely return.

Can I round to the nearest dollar?

Yes. You may round to the nearest whole dollar on your tax return. An amount of less than 50 cents would be rounded to the next lowest dollar, and an amount of 50 cents or more would be rounded to the next highest dollar. For example, \$127.49 would be rounded as \$127.00, and \$127.50 would be rounded as \$128.00.

What happens if I do not file a tax return?

You will be contacted by the Board and asked to file the required tax return. If you do not file, your seller's permit may be revoked, which would legally prevent you from operating your business. If at this point you continued to operate your business, section 7153 of the Revenue and Taxation Code provides that you would be guilty of a misdemeanor, which is punishable by a fine of \$1,000 to \$5,000 or imprisonment for up to one year, or both.

What are prepayment accounts?

Businesses with average taxable sales of \$17,000 or more per month are required to make tax prepayments to the Board. You will be notified in writing if this requirement applies to you. Please do not make prepayments without written authorization.

If I sell or distribute fuels, am I subject to special rules for payment of sales tax?

If you are a producer, distributor, broker, or jobber of certain fuels, you are required to collect a prepayment of a portion of the sales tax when you distribute or sell the fuels inside California. You must report and pay the amounts you collect on special "SG" returns. If you are a retailer or other seller of fuel who has prepaid sales tax to your suppliers, you can reimburse yourself by claiming a credit for the prepaid tax when you file your sales tax returns. For more information, please call the Information Center at 1-800-400-7115 and request a copy of publication 82, *Prepaid Sales Tax on Sales of Fuel*.

If a customer pays after the tax reporting period, or pays in installments, when is the tax due?

Tax is due for the period in which the sale takes place—*when a customer takes possession of or title to an item*. This is true whether you receive payment at that time or at a later date. Accordingly, you must report credit or charge sales for the period in which they occur, regardless of when you receive payment.

Lease payments, however, are treated differently. They are generally reported for the period in which you receive them, regardless of when the taxable lease began. You would not report any unpaid lease balances due. (Different rules apply to leases of trucks, aircraft, and other mobile transportation equipment.)

For detailed information on leases, please call 1-800-400-7115 and request a copy of Regulation 1660, *Leases of Tangible Personal Property—In General*, or Regulation 1661, *Leases of Mobile Transportation Equipment*. Or you may request a copy of publication 46, *Tax Tips for Leasing of Tangible Personal Property in California*.

If you report a charge or credit sale and later find you cannot collect payment for it, you may be able to take a “bad debt” deduction on your sales and use tax return. For more information, please see *Bad Debt Losses on Taxable Sales*, on page 13.

I report taxes annually. If I close or sell my business, when do I report taxes?

You are required to file a final tax return when closing your business. If you close your business between January 1 and March 31, you must file your final sales and use tax return by April 30. If you close between April 1 and June 30, the filing date is July 31. If you close between July 1 and September 30, the filing date is October 31. If you close between October 1 and December 31, you must file by January 31.

You should contact your nearest Board office to obtain a sales and use tax return form to use at the time you close your business. Failure to file a timely return will result in interest and penalty charges.

Where can I get help in filling out a tax return?

You may phone or visit your nearest Board office or call the Information Center for assistance. Staff will explain how to complete the tax return correctly. Although they cannot prepare the return for you or review your records to determine what amount to report, they will be glad to explain what information is required and how to enter it on the form. Chapter 4 includes additional information on sales and use tax returns.

My accountant prepares my tax returns. Can my returns be mailed to my accountant?

Yes. You can ask the Board to mail your sales and use tax returns directly to your accountant. Other Board correspondence will continue to be mailed to your address of record. An accountant must have at least five BOE accounts for which they are authorized to receive returns in order to participate in this program. To request this service, you must complete form BOE-91, *Authorization To Send Tax Returns to Other Than the Taxpayer*. To obtain a copy, call our Information Center, 1-800-400-7115.

4. Completing Your Tax Return

The following information explains how to complete a State, Local & District Sales & Use Tax Return (BOE-401 series). It does not explain how to complete form BOE-401-EZ (the “short form” sales and use tax return). For information on the short form, please read the instructions that accompany the return. For assistance with your return, call 1-800-400-7115.

What are the basic steps to follow to complete a tax return?

There are four basic steps to follow in completing your tax return.

- You must first report
 - (1) total sales for the reporting period (including lease and rental receipts), and
 - (2) total purchases that are subject to use tax (explained below)
- You will then list all exemptions to which you are entitled.
- Third, to determine the dollar amount subject to tax, you must subtract the total for deductions and exemptions from the total for sales and purchases.
- Finally, using the result from step three, you will calculate the state, county, local, and special district taxes that must be paid to the Board.

What types of sales are included under gross sales?

The law requires that you report any sale of tangible personal property, whether or not you have been paid for the property. Normally, payment for your sales will be in the form of money (such as cash and charge sales). However, there may be times when you will receive other forms of payment (such as exchanges of property), and the fair market value of those payments must be reported.

Do not include receipts for the following sales under total sales:

- California Lottery sales (scratchers, lotto tickets, and so forth)
- Money order service charges
- Sales of gift certificates (see note below)

As mentioned in the previous chapter, you must report a sale for the tax reporting period in which it occurs, even if you receive payment in a different period. For example, you may sell an item in June for \$500 and allow the customer to take possession of it immediately on credit. Since the customer took possession of the merchandise (the sale took place) in June, you must report the \$500 sale for that month, regardless of when you receive the balance due.

Note—gift certificates: Although you do not include the sale of a gift certificate under your total sales, you do report the sale that occurs when you accept the certificate for a taxable sale of merchandise or property. The sale must be reported for the reporting period in which the certificate was redeemed.

What are “purchases subject to use tax”?

A purchase may be subject to use tax for a number of reasons. The most common reasons are

You used property purchased with a resale certificate. As explained in chapter 6, if you use a resale certificate to purchase merchandise that you intend to resell, your supplier will not collect sales tax reimbursement. However, if you use the merchandise for another purpose before you resell it, you are liable for use tax. (Using merchandise for display or demonstration purposes before resale is not generally considered a use that is subject to use tax.)

You used property purchased from an out-of-state retailer. In general, if you purchase equipment or merchandise from an out-of-state retailer without paying California tax and use the property for a purpose other than for resale, the purchase is subject to use tax and must be reported.

Note: Use tax may also apply to leases. For information on leases, please call 1-800-400-7115 and request a copy of publication 46, *Tax Tips for Leasing of Tangible Personal Property in California*.

How do I report a use tax liability?

If you make a purchase that is subject to use tax, you must report your purchase on Line 2 of your return ("Purchases Subject to Use Tax"). See note below.

Note—Purchases from out-of-state retailers

Some out-of-state retailers hold a Certificate of Registration—Use Tax and will collect and report California use tax on their taxable sales to customers in this state. If you paid California use tax to such a retailer, you are not required to report the tax. That retailer must provide you with a receipt showing, among other things, the amount of use tax collected. You should retain a copy of the receipt showing you paid the use tax.

If you paid another state's sales or use tax on the merchandise, you can deduct the amount of tax paid under "sales or use taxes imposed by other states" on your return (you can be credited up to the amount of California tax due). You can claim credit for payment of another state's sales or use tax *only on purchases for which you owe use tax*. You cannot claim the credit for property you sell at retail.

Can I deduct exempt transactions?

Yes. As mentioned earlier, you will report (1) the total sales for your business and (2) purchases that are subject to use tax. Some sales will not be taxable and can be deducted to reduce the total amount subject to tax. For example, as explained on page 13, some labor charges are not subject to tax. If your total reported sales include nontaxable labor charges, you will need to claim a deduction for those charges. Otherwise, you will pay too much tax. As explained below, there are many other types of deductions that can be claimed.

Common Exemptions / Deductions

The exemptions and allowable deductions described below are arranged in the order in which they appear on form BOE- 401-A, *State, Local & District Sales & Use Tax Return*. The information in this section is designed to provide an overview of the types of exemptions that can be deducted; it is not designed to provide detailed information about the requirements for each deduction. For additional information, you should contact our Information Center.

Note: You cannot claim deductions for transactions that have not been reported on your tax return. For example, you cannot claim a deduction for a sale to the U.S. Government unless that sale has been reported as part of total sales on your return. You must also keep documentation to support your claims for deductions (see chapter 7 "Keeping Records").

Sales to Other Retailers for Purposes of Resale

Sales made to other retailers who purchased property from you using a resale certificate can be deducted. (If you sell property to another retailer for resale, and if that retailer presents you with a valid resale certificate stating that the property will be resold, you do not collect sales tax reimbursement from that retailer. Chapter 6 includes additional information on the use of resale certificates.)

**Nontaxable Sales of
Food Products**

Exempt sales of food products can be deducted. However, some sales of food products, including most meals, are taxable and cannot be deducted. For more information on the taxability of food products, you may request copies of booklets and regulations that pertain to food products. (For related regulations, see page 22, under "Food Products and Meals." For related publications, see page 24, publications 22, 24, and 31). Much of this information is also available at our website, www.boe.ca.gov.

Nontaxable Labor

Labor charges for repairing, reconditioning, or installing tangible personal property are not subject to tax and can be deducted. For example, if you installed a radiator in a used car, the labor charges would not be taxable. However, labor charges associated with the creation of tangible personal property (such as charges for making a ring or furniture) are taxable and cannot be deducted. For more information on the taxability of labor charges, please call 1-800-400-7115.

**Sales to the United States
Government and
Other Entities**

Sales to the U.S. Government or to some of its agencies and instrumentalities are exempt from tax and can be deducted if they have been reported in total sales. Examples of other exempt sales, such as those made to the American Red Cross and to qualified federal credit unions, are listed in the instructions that accompany your return.

Sales made to the State of California or to cities and counties and other local governments in the state are *not* exempt. They are treated like any other sale. That is, you report them under total sales and then claim any deductions that might apply. (For example, charges for nontaxable labor could be deducted.)

**Sales in Interstate or
Foreign Commerce**

In general, the sale of tangible personal property you ship to an out-of-state location for use outside of California is exempt from California sales tax and can be listed as a deduction on your tax return. For more information on the conditions that must be met for this exemption to apply, you should refer to the instructions that accompany your return or request a copy of Regulation 1620, *Interstate and Foreign Commerce* and publication 101, *Sales Delivered Outside California*.

Sales Tax Reimbursement

Sales tax reimbursement included on Line 1 as part of your total gross sales can be deducted. If you do not report sales tax reimbursement as part of your sales, you may not take this deduction.

**Bad Debt Losses
on Taxable Sales**

If you have reported a taxable sale and have been unable to collect payment for the sale, you may claim a deduction for the bad debt. Bad debts may take the form of

- Checks returned unpaid by the purchaser's bank which you have determined to be uncollectible, or
- Accounts from charge or credit sales found worthless

The bad debts must be charged off for income tax purposes, or if you are not required to file income tax returns or you file income tax returns on a cash basis, the bad debts must be charged off in accordance with generally accepted accounting principles.

You should claim the deduction on the return filed for the period in which the amount was found worthless and written off. If you do later receive payment, you must report it on the sales and use tax return filed for the period in which the payment was made.

Some charges cannot be deducted as bad debt losses. For example, you cannot deduct uncollected installation and insurance charges since these are not subject to sales tax. Likewise, you cannot deduct expenses incurred in an attempt to enforce the collection of bad debts. Since there are many rules governing deductions for bad debt losses, you should request a copy of Regulation 1642, *Bad Debts*. Or you should contact our Information Center for more information.

**Cost of Tax-Paid
Purchases Resold
Prior to Use**

If you purchased tangible personal property and paid California sales tax reimbursement or use tax on the purchase, you can generally deduct the cost of the purchase on your return if you sell the property prior to using it. For more information, please request a copy of Regulation 1701, *Tax-Paid Purchases Resold*.

Returned Merchandise

You can claim a deduction for returned merchandise (the sale must have been previously reported on your return as part of your total taxable sales). Certain conditions must be met. For example, you must refund the full amount to your customer, including any sales tax reimbursement you collected (the refund can be in cash or credit), and you must not require your customer to purchase more expensive property to obtain a refund. For more information, please request a copy of Regulation 1655, *Returns, Defects, and Replacements*.

In claiming a deduction for returned merchandise, claim only the amount of your sales before sales tax reimbursement was added. For example, if the returned merchandise had been sold for \$15 plus sales tax reimbursement, you would claim only \$15 as a deduction.

Cash Discounts

Some businesses offer price discounts for cash payments or for payments that are made within specified time periods, such as 10 or 30 days. If your business offers such discounts, you may or may not be allowed to claim a cash discount on your return.

If you report the *reduced* selling price (the price after the cash discount) as part of your total sales, you cannot claim a cash discount deduction since you will have already excluded that amount from your total sales.

If you report the *full* price of the item (the price before the discount was given) as part of your total sales, you can claim a deduction for the cash discount since the price you are reporting overstates the actual selling price.

If a cash discount is given after the sale has been reported to the Board, you may have overpaid the tax due on the sale. To ensure that you receive proper credit, you will need to take a deduction for the discount given. If this situation applies to you, you should contact our Information Center for advice on how to report the cash discount. Call 1-800-400-7115.

Regardless of how you report a cash-discounted sale, sales tax must be based on the actual selling price of the property. Moreover, you cannot deduct a cash discount for nontaxable transactions, such as a cash discount on repair labor.

For more information on cash discounts, please request copies of Regulation 1671, *Trading Stamps and Related Promotional Plans* and Regulation 1700, *Reimbursement for Sales Tax*.

Other Deductions

The deductions listed above are the most common. There are other exemptions that may apply to your business, such as sales of prescribed medicine. For more information, you should request a copy of publication 61, *Sales and Use Taxes: Exemptions and Exclusions*. See chapter 10 for information on how to order.

5. *Buying, Selling, or Discontinuing a Business*

Whenever you buy, sell, or discontinue a business, you will need to contact the Board. If you are buying a business, you may need to obtain a seller's permit, as permits are not transferable. If you are selling or discontinuing a business, you will need to close out your account. (If the business in question is incorporated, please read the last two questions of this chapter in addition to the information below.)

Do I need to contact the Board if I am buying a business?

Yes. To protect yourself from having to pay any sales and use tax owed by the business you are buying, you should write to the Board (call a Board office listed in chapter 10 for an address) and request a certificate of tax clearance. If you do not obtain a clearance before you buy the business, and if taxes are owed and the previous owner has failed to pay those taxes, you could be required to pay any taxes, interest, and penalties that are due.

After receiving your written request for a clearance, the Board will determine whether the business you are buying owes any sales and use taxes, interest, or penalties. If any money is owed, the current owner will be notified and advised to pay the amount due or you will be advised of an amount to withhold from the purchase price to cover the potential liability. This amount must be paid to the Board before a certificate of tax clearance can be issued.

If the business you are buying has more than one location and you are buying one or more of those locations (but not all), you should request a clearance for each location. If the business you are buying has more than one location and you are buying all the locations, only one clearance is needed.

If you are buying a business through an escrow company, you should ensure that the company requests the certificate of clearance on your behalf. It is important to remember that if taxes are owed by the current owner and escrow closes without a certificate of tax clearance, you may be held liable for unpaid taxes (for an amount up to the purchase price for the business, which includes any assumption of indebtedness).

Am I required to set money aside to cover unpaid taxes owed by the previous owner?

Yes. If the Board does not issue the certificate of tax clearance described above, you are required to withhold enough of the purchase price of the business to cover any amount owed to the Board by the former owner until he or she produces

- A receipt from the Board showing all liability has been paid, or
- A certificate from the Board stating that no amount is due

If the Board has provided you with a certificate of tax clearance for the business, you are no longer legally required to set aside funds to cover unpaid sales and use taxes.

Do I need to apply for a new seller's permit if I buy another business?

Yes. A new permit would be required to show you as the correct owner. You will need to provide the same information required of all seller's permit applicants. See chapter 1.

Do I need to tell the Board I am closing or selling my business?

Yes. You must notify us in writing if you intend to sell or close your business. For instructions and the form you should use to notify us, please request a copy of publication 74, *Closing Out Your Seller's Permit* (see page 24 for ordering information).

The Board will close out your account and cancel your seller's permit. If you had made a cash or interest-bearing security deposit to the Board when you obtained your seller's permit, the entire deposit or any unused portion will be returned to you depending on whether any taxes remain to be paid.

If you do not notify the Board when you sell your stock of goods, you may be liable for taxes, interest, and penalties incurred by the purchaser or successor.

REMINDER: It is a misdemeanor to use your seller's permit if you are no longer actively engaged in business.

If I withdraw from a partnership, do I need to notify the Board?

Yes. Dropping or adding a partner constitutes a change in ownership. If you do not notify the Board, you may be liable for taxes, interest, and penalties incurred by the business. You must let us know in writing of the change. Publishing this information in a newspaper or notifying another state agency is not sufficient notice to the Board.

Note—spousal partners: If your name is on the seller's permit and you withdraw from ownership of the business, you must let us know of the change in writing. A legal separation or divorce decree awarding the business to one spouse, without written notification to the Board, is not sufficient notice.

The following information applies to corporations and limited liability companies:

Will I personally be required to pay taxes owed by a corporation or limited liability company?

Yes. If a corporation or limited liability company is dissolved, terminated, or abandoned, you may be held liable for unpaid taxes, interest, and penalties if

- You controlled or supervised the filing of returns or payment of tax or were responsible for the filing of returns or payment of tax; or
- You were under a duty to act for the corporation or limited liability company in complying with the Sales and Use Tax Law; and
- You willfully failed to pay any tax due from the corporation or limited liability company or caused the tax not to be paid.

Am I liable for the entire amount of unpaid tax owed by a corporation or a limited liability company?

Not necessarily. You are liable only for taxes, interest, and penalties owed for the period of time for which you were responsible for the filing of returns, the payment of tax, or compliance with the Sales and Use Tax Law.

6. Using a Resale Certificate

Why are resale certificates required?

If you purchase tangible personal property for resale, the transaction is not subject to sales or use tax provided the sale is properly documented. As a result, your supplier will ask you to provide a resale certificate as proof that the property was purchased for resale. As explained below, the certificate must be taken on a timely basis, and it must include certain specific information.

As a seller, you may also accept resale certificates from other sellers who wish to purchase tangible personal property from you for resale.

What information must a resale certificate include?

The certificate may be in any form, such as a note, letter, or memorandum. However, the certificate must contain the following information:

- The name and address of the purchaser.
- The number of the seller's permit held by the purchaser (if the purchaser is not required to have a seller's permit, see note below).
- A description of the property to be purchased.
- A statement that the described property is being purchased for resale. The certificate must contain words that state the property *will be resold* or is *for resale*. The use of words such as *nontaxable* or *exempt* or similar terms is not acceptable.
- The date of the document.
- The signature of the purchaser or someone approved to act in his or her behalf.

The Board of Equalization does not furnish resale certificate forms. However, certificates are available in many office supply and stationery stores (you should ensure that the certificates are designed to provide the required information noted above). A Board-approved resale certificate, taken from Regulation 1668, *Resale Certificates*, is reproduced on page 19.

Note: Some businesses are not required to hold a seller's permit (for example, a business may not make sales in this state or it may not sell property that is subject to sales tax when sold at retail). If you are selling to a purchaser who is not required to hold a seller's permit but who wishes to make a purchase using a resale certificate, the purchaser must indicate on the certificate that he or she does not hold a seller's permit and why a permit is not required.

What are my responsibilities as a buyer using a resale certificate?

You should not use a resale certificate if there is any question whether you will resell the property. If you are purchasing a combination of items where some are for resale and others are taxable (for personal use, for example), you must clearly indicate to the vendor which items are being purchased for resale.

There may be times when you are not sure whether the items you are purchasing are for resale or for personal use. In such cases, you should pay sales tax reimbursement or use tax to your supplier. If, at a later date, you resell an item before making use of it, you can take a "tax-paid purchases resold" deduction on the tax return on which you report the sale.

Do I need to submit a resale certificate each time I make a purchase?

No. If you make several purchases from one vendor, you may file one resale certificate with that vendor to keep on file. If purchase orders are used, in the part of the resale certificate where you describe the property being purchased,

What are my responsibilities as a seller accepting a resale certificate?

you may enter “*See purchase order.*” When you make purchases from that vendor, you must then clearly indicate on the purchase order which items are being purchased for resale (by using the words “for resale”). The Board assumes that items not marked for resale are being sold to you at retail and are therefore subject to tax.

As a seller, you should always note the general character of the purchaser’s business. If the nature of the business is such that the property purchased would not normally be resold, you should question the use of the certificate.

For example, a resale certificate describing the business as a service station should not be accepted for the purchase of a sofa or a similar item not regularly sold by service stations. If the purchaser insists that the item is to be resold, you should ask for a resale certificate stating that the specific property is being purchased for resale in the regular course of business. If the purchaser is unwilling to provide one, you should consider the sale as taxable.

You should not accept the certificate if you know or have reason to believe the property is being purchased for other than resale.

You are required to take a resale certificate in a timely fashion. That is, it must be taken

- Before you bill the purchaser for the property, or
- At any time within your normal billing and payment cycle, or
- At any time prior to delivery of the property to the purchaser

You must retain resale certificates you accept from others to substantiate claims that a sale was for resale and therefore not subject to tax.

Can I find out if a seller’s permit number is current?

Yes. If another seller has given you a resale certificate to make a purchase for resale, you can call us toll-free or visit our website to verify the seller’s permit number (see page 24, “To Verify a Seller’s Permit Number”).

Are there any penalties for the illegal use of a resale certificate?

Yes. If you give a resale certificate to purchase property that you know at the time will not be resold in the regular course of business, you will be liable for

- The amount of tax that would be due had the certificate not been used
- Interest payments on the tax due

In addition, you may have your seller’s permit cancelled and may be required to pay

- A penalty of 10 percent of the tax or \$500, whichever is greater, for each purchase made for personal gain or to evade payment of tax, and/or
- A 25 percent penalty for fraud or intent to evade the tax

It is a misdemeanor to issue a resale certificate to a seller to evade payment of tax. Each offense is punishable by a fine of \$1,000 to \$5,000 or imprisonment for up to one year in the county jail, or both.

**Sample
Resale Certificate,
from Regulation 1668
(may be reproduced)**

California Resale Certificate

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY: That I hold valid seller's permit No. _____
issued pursuant to the Sales and Use Tax Law; that I am engaged in the
business of selling _____

that the tangible personal property described herein which I shall purchase
from: _____

will be resold by me in the form of tangible personal property; provided,
however, that in the event any of such property is used for any purpose other
than retention, demonstration, or display while holding it for sale in the
regular course of business, it is understood that I am required by the Sales
and Use Tax Law to report and pay tax, measured by the purchase price of
such property or other authorized amount.

Description of property to be purchased: _____

Date: _____ 20____

(Signature of Purchaser or Authorized Agent)

(Title)

7. Keeping Records

Because you are required to pay the correct amount of tax and account for your business purchases and sales, it is essential you keep adequate records. For more information on keeping records, you may request a copy of Regulation 1698, Records. In addition, tax tip pamphlets prepared for specific types of businesses include information on recordkeeping.

Note: The following information applies to the Board of Equalization. Other government agencies may have other recordkeeping requirements.

Am I required to keep business records?

Yes, you are required to keep business records so that representatives from the Board of Equalization may

- Verify the accuracy of sales and use tax returns
- Determine if tax is due if a return has not been filed

Failure to maintain accurate records may be considered evidence of negligence or intent to evade the tax and could result in penalties.

What types of records do I keep?

You must keep records that are necessary to determine the correct tax liability under the Sales and Use Tax Law, such as

- The normal books of account (books of account can include information stored on computers)
- Documents of original entry (for example, bills, receipts, invoices, job orders, contracts, or other documents) supporting the entries in the books of account
- All schedules or working papers used to prepare your tax returns

What should my records show?

Your records must show

- Gross receipts from all sales or leases of tangible personal property—even sales or leases you may consider to be exempt from tax
- All deductions claimed in filing returns
- The total purchase price of all tangible personal property purchased for sale, consumption, or lease

How long do I keep my business records?

You must keep sales and use tax records for four years unless the Board gives written authorization for their earlier destruction. This applies to all records that pertain to transactions involving sales or use tax liability.

In addition, if your records are being audited by the Board, you should retain all records for the period being audited until the audit is completed (or — if you appeal the findings or file a claim for refund — until your case is resolved).

Should I keep resale or exemption certificates that I have accepted?

Yes. You need to keep the certificates to document claimed nontaxable sales. If you do not keep these records, you are subject to tax, interest, and penalty charges if you cannot otherwise prove a sale was not subject to tax.

8. Regulations

The regulations listed in this chapter apply to sales and use taxes. See page 24 for information on how to order copies.

1500 Foreword

Service Enterprises

- 1501 Service Enterprises Generally
 - 1501.1 Research and Development Contracts
- 1502 Computers, Programs, and Data Processing
 - 1502.1 Word Processing
- 1503 Hospitals, Institutions and Homes for the Care of Persons
- 1504 Mailing Lists and Services
- 1505 Morticians
- 1506 Miscellaneous Service Enterprises

Contractors and Subcontractors

- 1521 Construction Contractors
 - 1521.4 Factory-Built Housing

Manufacturers, Producers, Processors

- 1524 Manufacturers of Personal Property
 - 1525 Property Used in Manufacturing
 - 1525.1 Manufacturing Aids
 - 1525.2 Manufacturing Equipment
 - 1525.3 Manufacturing Equipment—Leases of Tangible Personal Property
 - 1525.5 Manufacturing By-Products and Joint-Products
- 1526 Producing, Fabricating and Processing Property Furnished by Consumers—General Rules
- 1527 Sound Recording
- 1528 Photographers, Photocopiers, Photo Finishers and X-Ray Laboratories
- 1529 Motion Pictures
- 1530 Foundries
- 1531 Fur Dressers and Dyers

Graphic Arts and Related Enterprises

- 1540 Advertising Agencies, Commercial Artists and Designers
- 1541 Printing and Related Arts
 - 1541.5 Printed Sales Messages
- 1543 Publishers

Installers, Repairers, Reconditioners

- 1546 Installing, Repairing, Reconditioning in General
- 1548 Retreading and Recapping Tires
- 1549 Fur Repairers, Alterers and Remodelers

- 1550 Reupholsterers
- 1551 Repainting and Refinishing
- 1553 Miscellaneous Repair Operations

Specific Businesses Engaged In Retailing

- 1565 Auctioneers
- 1566 Automobile Dealers and Salesmen
- 1567 Banks and Insurance Companies
- 1568 Beer, Wine and Liquor Dealers
- 1569 Consignees and Lienors of Tangible Personal Property for Sale
- 1570 Charitable Organizations
- 1571 Florists
- 1572 Memorial Dealers
- 1573 Court-Ordered Sales, Foreclosures and Repossessions
- 1574 Vending Machine Operators
- 1583 Modular Systems Furniture

Specific Kinds of Property and Exemptions Generally

- 1584 Membership Fees
- 1585 Cellular Telephones, Pagers, and Other Wireless Telecommunication Devices
- 1586 Works of Art and Museum Pieces for Public Display
- 1587 Animal Life, Feed, Drugs and Medicines
- 1588 Seeds, Plants and Fertilizer
- 1589 Containers and Labels
- 1590 Newspapers and Periodicals
- 1591 Medicines and Medical Devices
 - 1591.1 Specific Medical Devices, Appliances, and Related Supplies
 - 1591.2 Wheelchairs, Crutches, Canes, and Walkers
 - 1591.3 Vehicles and Physically Handicapped Persons
 - 1591.4 Medical Oxygen Delivery Systems
- 1592 Eyeglasses and Other Ophthalmic Materials
- 1593 Aircraft and Aircraft Parts
- 1594 Watercraft
- 1595 Occasional Sales—Sale of a Business-Business Reorganization
- 1596 Buildings and Other Property Affixed to Realty

Board regulations are designed to implement, interpret, or make specific provisions of the California Sales and Use Tax Law. They are revised periodically.

9. Publications

Tax Facts

For quick answers, try one of our Tax Facts. Each single-sheet publication focuses on a specific topic.

- 100 Shipping and Delivery Charges
- 101 Sales Delivered Outside California
- 102 Sales to the U.S. Government
- 103 Sales for Resale
- 104 Sales to Residents of Other Countries
- 105 District Taxes and Delivered Sales
- 106 Gift Wrapping Charges
- 107 Do You Need a California Seller's Permit?
- 108 When Is Labor Taxable?
- 109 Are Your Internet Sales Taxable?
- 110 California Use Tax Basics
- 111 Operators of Swap Meets, Flea Markets & Special Events
- 112 Purchases from Out-of-State Vendors
- 113 Coupons and Sales Tax

Guide to Board of Equalization Services, Publication 51

This publication lists several other Board publications, including those printed for other special taxes and fees administered by the Board.

Sales and Use Publications

Single Copies Available at No Charge

Note—translations:

One or more of the following letters will appear after the title to indicate that a translated version is available:

- C (Chinese)
- K (Korean)
- S (Spanish)
- V (Vietnamese)

General

- 1 Sales and Use Tax Law
- 2 Uniform Local Sales & Use Tax Law and Transactions & Use Tax Law
- 17 Appeals Procedures
- 21 State Board of Equalization (agency overview)
- 42 Resale Certificate Tips
- 51 Guide to Board of Equalization Services (C, K, S, V)
- 54 Tax Collection Procedures
- 58-A How To Inspect and Correct Your Records
- 61 Sales and Use Taxes: Exemptions and Exclusions
- 70 The California Taxpayers' Bill of Rights (C, K, S, V)
- 71 California City and County Sales and Use Tax Rates
- 73 Your California Seller's Permit (C, K, S, V)
- 74 Closing Out Your Seller's Permit (S)
- 75 Interest and Penalty Payments
- 76 Audits (K,S)
- 79 Documented Vessels and California Tax
- 79-A Aircraft and California Tax
- 80 Electronic Funds Transfer Program: Information Guide
- 81 Franchise and Income Tax Appeals
- 82 Prepaid Sales Tax on Sales of Fuel

Tax Tip Booklets (Tax Tips for . . .)

- 9 Construction and Building Contractors
- 12 California Use Fuel Tax: A Guide for Vendors and Users (S)
- 18 Nonprofit Organizations

- 22 Dining and Beverage Industry (K,S)
- 24 Liquor Stores (S)
- 25 Auto Repair Garages and Service Stations (S)
- 27 Drug Stores
- 31 Grocery Stores (C, K, S, V)
- 32 Sales to Purchasers from Mexico (S)
- 34 Motor Vehicle Dealers
- 35 Interior Designers and Decorators
- 36 Veterinarians
- 37 Graphic Arts Industry
- 38 Advertising Agencies
- 40 Watercraft Industry
- 44 District Taxes
- 45 Hospitals
- 46 Leasing of Tangible Personal Property in California
- 47 Mobilehomes and Factory-Built Housing
- 62 Locksmiths
- 64 Jewelry Stores
- 66 Retail Feed and Farm Supply Stores
- 68 Photographers, Photo Finishers and Film Processing Laboratories

Tax Schedules, Newsletters, Calendars, and Reports

- Tax Information Bulletin (quarterly)
- Tax Information Bulletin Index (publication 25)
- State of California Sales Tax Reimbursement Schedules (please specify rate)
- Annual Calendar of Board Meetings
- Taxable Sales in California
- Annual Report
- Hearing Procedures of the State Board of Equalization (regulations)

Publications for Sale at Cost For prices, call 1-800-400-7115.

- Business Taxes Law Guide
- Business Taxes Audit Manual
- Compliance Policy and Procedures Manual

How To Order

See page 24.

10. Where To Get Help

Information Center

1-800-400-7115

TDD (phone): 1-800-735-2929

TDD (voice): 1-800-735-2922

Ask a General Tax Question

Call us during working hours to speak to a representative. Staff are available from 8:00 A.M. to 5:00 P.M., Monday-Friday, excluding State holidays. Or call at any time to use the Center's automated features (for example, to leave a message requesting a publication, to listen to recorded messages, or to use the automated fax-back system described below).

Request Fax Copies of Selected Forms and Notices

Our fax-back service is available 24 hours a day. Call 1-800-400-7115 and choose the fax option.

Request Bilingual Services

We can also provide bilingual services for persons who need assistance in a language other than English.

To Report Suspected Tax Evasion

Call 1-888-334-3300 during working hours to speak to a representative.

To Verify a Seller's Permit Number

If another seller has given you a resale certificate to make a purchase for resale, you can call us to verify the seller's permit number provided by that seller. You can call toll-free, 1-888-225-5263, or you can visit our website at www.boe.ca.gov. Both services are available seven days a week. You should also have available the name of the business, the business address, and the name of the business owner, to compare with the information we provide.

Questions Regarding Your Account

If you have a question about your account (for example, questions regarding an audit, a tax payment, or a billing), please call the office that maintains your records. The name and telephone number of the appropriate office is printed on your tax returns. Field office telephone numbers are provided on page 25.

Publications and Regulations

To obtain copies of publications and regulations, you may

Call 1-800-400-7115. Call during business hours to talk to a representative. If you call after business hours and know the name of the publication, form, or regulation you need, you can leave a recorded message. Certain documents are also available on our fax-back service described above.

Contact your local Board office. See page 25 for their telephone numbers. If you plan to visit the office to pick up a publication, you should call ahead to make sure a copy is available.

Visit our Internet site—www.boe.ca.gov. Some publications can be downloaded, or you can print out an order form to mail or FAX in.

Tax Information Bulletin

As a registered seller, you also receive the quarterly *Tax Information Bulletin*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to sellers. The bulletin is mailed with your sales and use tax return(s). If you file only once a year and would like to receive all four bulletins, please write to the following address and ask to be added to Mailing List

#15: State Board of Equalization; Mail Services Unit, MIC:12; Attn: Addressing Systems; P.O. Box 942879; Sacramento, CA 94279-0012 .

Written Tax Advice

It is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if the Board determines that you reasonably relied on written advice from the Board regarding the transaction. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction. Send your request to State Board of Equalization; Audit and Evaluation and Planning Unit; P.O. Box 942879, MIC:40; Sacramento, CA 94279-0040.

Classes

You may enroll in a basic sales and use tax class offered by some local Board offices. You should call ahead to find out when your local office conducts classes for beginning sellers.

Internet Access— www.boe.ca.gov

You can find all kinds of useful information at our website. You can download publications, send e-mail requests for information, find out what tax rates to use, look up information on your Board Members and public hearings, verify seller's permit numbers, and so forth.

Taxpayers' Rights Advocate Office

If you have been unable to resolve a disagreement with the Board, or if you would like to know more about your rights under the Sales and Use Tax Law, please contact the Taxpayers' Rights Advocate office for help. Their telephone number is 1-888-324-2798 (FAX 916-323-3319).

If you prefer, you can write to them at the following address:
Taxpayers' Rights Advocate; State Board of Equalization; 450 N Street
MIC:70; P.O. Box 942879; Sacramento, CA 94279-0070.

Field Offices

City	Area Code	Number	City	Area Code	Number
Bakersfield	661	395-2880	San Francisco	415	703-5400
City of Industry	562	908-5280	San Jose	408	277-1231
Culver City	310	342-1000	San Marcos	760	510-5850
El Centro	760	352-3431	Santa Ana	714	558-4059
Eureka	707	445-6500	Santa Rosa	707	576-2100
Fresno	559	248-4219	Stockton	209	948-7720
Laguna Hills	949	461-5711	Suisun City	707	428-2041
Norwalk	562	466-1694	Torrance	310	516-4300
Oakland	510	622-4100	Van Nuys	818	904-2300
Rancho Mirage	760	346-8096	Ventura	805	677-2700
Redding	530	224-4729	Offices for Out-of-State Accounts		
Riverside	909	680-6400	Chicago, IL	312	201-5300
Sacramento	916	227-6700	Houston, TX	281	531-3450
Salinas	831	443-3003	New York, NY	212	697-4680
San Diego	619	525-4526	Sacramento, CA	916	227-6600

**Should I be registered
under any other board-
administered tax
programs?**

**Excise Taxes Division
1-800-400-7115**

**Fuel Taxes Division
1-800-400-7115**

**Environmental Fees Division
1-800-400-7115**

The Board administers several taxes and fees in addition to the state's sales and use taxes. The following list includes some of the other tax programs we administer and describes who is generally required to register. For further information or to register for a particular program, please call the appropriate division. For a listing of all tax and fee programs administered by the Board, please request publication 51, *Guide to Board of Equalization Services*.

Alcoholic Beverage Tax

Wholesalers, manufacturers, and importers of alcoholic beverages

Cigarette and Tobacco Products Tax

Wholesalers and distributors of cigarettes and tobacco products, such as cigars, chewing tobacco, pipe tobacco, and snuff

Tire Recycling Fee

Retail sellers of new tires

Diesel Fuel Tax

Suppliers of diesel fuel

Interstate User Tax (IFTA)

Motor carriers who use diesel fuel in interstate operations

Motor Vehicle Fuel License Tax

Distributors and brokers of gasoline

Underground Storage Tank Maintenance Fee

Owners of underground petroleum product storage tanks, including owners of most gasoline stations

Use Fuel Tax

Owners and operators of vehicles powered by fuels other than gasoline or diesel, such as LPG, LNG, CNG, certain alcohol or alcohol blend fuels, ethanol, and methanol; use fuel vendors

Activity and Tiered Permit Fees

Businesses required to apply to the Department of Toxic Substances Control for hazardous waste permits, variances, or waste classifications

Ballast Water Fee

Ships that enter California with ballast water loaded from outside the Exclusive Economic Zone

Environmental Fee

Corporations conducting business in California with 50 or more employees, except those with the following Standard Industrial Classification codes: 88, private households; and 8361, residential care facilities

Facility Fee

Operators of facilities that store, treat, or dispose of hazardous waste submitted by others

Generator Fee

Companies that generate more than 5 tons of hazardous waste per calendar year per site

Occupational Lead Poisoning Prevention Fee

Employers with 10 or more employees in industries with evidence of a potential for lead poisoning.

California State Board of Equalization
450 N Street • Sacramento, California
(Mailing Address: P.O. Box 942879 • Sacramento, CA 94279-0001)